ECC Glossary
A Guide to Electronic Payment Terms

A

ABA	American Bankers Association.
ABA number	*See Routing/Transit Number.*
ACB	America's Community Bankers.
Acceptance	When the payee accepts a check and, by their acceptance, becomes the "acceptor".
Acceptor	Merchant/individual/corporation who accepts a check (also known as the "drawee" or the "payee").
ACCU	Association of Corporate Credit Unions.
ACH (Automated Clearing House)	Organization that collects, sorts, classifies and distributes information, usually among a large number of organizations or entities.
ACH card	Electronic capture (Magnetic Stripe) and ACH presentment via a linked proprietary membership card (card & Personal Identification Number (PIN)) required.
ACH system	Or, ACH Network, Automated Clearing House: the electronic banking system, similar to the Federal Reserve Banking system, through which much of the electronic commerce in the United States is conducted.
Acquirer	Bank with whom the merchant has an account for settlement of credit card transactions.
Administrative returns	Ability of ACH participants to return entries for specific reasons to originators, including:

- MICR read misreads
- MICR parsing (ambiguity between routing number/account number/check number)
- MICR to ACH conversion problem
- Funds drawn on nonparticipating financial institutions

Alteration	When words or numbers are added to an incomplete instrument (check) without authority of the signer.

ATM	Automated Teller Machine. A freestanding computer at which banking customers can withdraw cash from their account. Some ATMs accept deposits and payments. Also known as an "Automated Banking Machine".
Authentication	Data security technique ensuring that the professed sender of an ACH payment order is who they claim to be. *See ACH.*
Authorization	Agreement by a receiver to allow the posting of debit or credit items to their account. Credit authorization may be verbal, but debit authorization must be in writing (or digital signature or PIN in the case of computer transactions). *See Receiver.*
Authorizing customer	Checkwriter with legal authority to sign checks and to sign an authorization for electronic payment.

B

Bank	Type of financial institution, usually a member of the Federal Banking System, that accepts deposits, makes loans and pays checks.
Bankable check	Check that a retailer may redeposit, even though a bank initially returned it to the store because of non-sufficient funds or the bank account was closed.
Batch file transfer	Scheduled specific transfer of batches of data or images from local server to host.

C

Check	Draft that is payable on demand and drawn on a bank. An instrument may be a check even though it is described on its face by another term, such as "money order". *See draft, negotiable instrument.*
Check authorization	Service that validates routing numbers and account information to determine if the checking account is valid.
Check debit	EFT Network transaction which converts a paper check that has been presented a merchant into a real-time electronic transaction. The transaction debits funds for the check amount from the accountholder's account, and credits that amount to the merchant's account (provided that the account is valid and has sufficient funds to cover the transaction). Such funds are guaranteed for transactions accepted by the payor bank. *See EFT.*
Check digit	Final digit of the bank's routing number, usually calculated by applying an algorithm to all or some of the numbers' digits, which may be used to test validity of the remaining numbers in the routing number. *See Routing/Transit number.*
Check guarantee	Service that guarantees the checkwriter's payment and assumes the collections risk of check payments for a merchant.

Check safekeeping	When the financial institution does not return the customer's checks in their bank statement, but keeps it for "safekeeping". The customer may receive an image of the check in their statement.
Check truncation	Converting a check to an electronic debit, or image of the check, by someone in the payment system other than the paying bank.
Check verification	A service which accesses customer and/or account databases through a point-of-sale system and/or by phone to verify or authorize that the check writer and/or checking account information is valid and/or in good standing.
Clearing house	Organization that collects, sorts, classifies and distributes information, usually among a large number of organizations or entities.
Connector	Type of physical connection between the printer cable, the interface and the POS terminal.
Credit	Add money to an account.
Credit card	Signature based electronic payment transaction routed through a proprietary credit card network. Credit Card transactions may or may not extend an element of "credit" or deferred payment, to the cardholder.
Composite receivers file	Directory of all RDFIs serviced by an ACH operator. *See RDFI, ACH system.*
Consumer account	Deposit account held by a natural person primarily for personal, family or household use, not for commercial use.
Contradictory terms	When a check contains "contradictory terms" (i.e. the dollar amount does not agree with the written amount), the handwritten terms prevail over both typewritten data or numbers (i.e. the dollar amount).
Controlled disbursement	When the bank notifies, usually a corporate customer, early in the day of the dollar amount of items waiting to clear their account later that day; the company funds the account with the exact amount to clear the items.
Conversion	*See ECC, Electronic Check Conversion.*
CUNA	Credit Union National Association.
Currency	Circulating money, coins and banknotes.

D

Debit	Take money out of an account.
Debit card	Debit cards are processed through the ATM network on-line so funds are actually verified and then debited on-line (real-time). The debit card number is required to link to the correct bank for payment. ECC uses the MICR data from the check and processes the data through the existing ACH network.

Default	Failure to perform a legal obligation, i.e. failure to pay money when it is due.
Depository bank	Or, depository financial institution: is able to receive deposits from customers and credits from the Federal Reserve Bank.
DFI	Depository Financial Institution.
Digital check imaging	The process of taking and archiving an electronic "image" of a paper check being electronically converted to aid in the recovery process at a later date if required.
Drawee	With regard to a check, the drawee is also known as the "acceptor" or the "payee".
Drawer	Person who signs, or is identified, in a note, draft or check as the person assuming the responsibility to pay the note, draft or check. Also referred to as "maker".

E

EBT (Electronic benefits transfer)	An electronic payments system (on-line debit) that allows a recipient to authorize transfers of his/her government benefits from a Federal Account to a Merchant Account to pay for products received.
e-check	Generic term for an ACH debit to a consumer account that is originated on the Internet, at the point-of-sale, over the telephone, or by a bill payment sent through the mail or dropped in an unattended dropbox.
ECC (1)	Electronic Check Conversion. Transforming a payment initiated by a paper check, not previously negotiated, into an electronic payment, which eliminates the physical handling of a paper check.
ECC (2)	Electronic Check Council. NACHA working group of financial institutions, companies and other interested entities dedicated to improving electronic check clearing and collection. *See NACHA.*
ECC/ECP check returns	ECC/ECP checks that are returned only for problems with the electronic conversion process i.e. bad MICR, no ACH account etc. (AKA Administrative Returns).
ECCHO	Electronic Check Clearing House Organization.
EFT	Electronic Funds Transfer: transfers funds from one bank checking or savings account to another bank checking or savings account.
Electronic check presentment	Electronic transmission of the contents of a cash letter (as captured from the MICR line on each check) to the drawee bank ahead of the physical arrival of the checks actually in the cash letter. *See MICR.*

Electronic fund transfer act	1978 Federal law setting out the rights and obligations of consumers and their financial institutions regarding the use of electronic systems to transfer funds. (Implemented in the Federal Reserve Bank's Regulation E.) *See Regulation E.*
Endorse	(Sometimes seen as "indorse"): to place ones signature, or the name of the merchant, on the upper back of the check indicated the check has been accepted, and is now being presented for payment. The signature is an endorsement (or "indorsement") and the signer is the endorser (or indorser).

F

Financial institution	Banks, savings and loan, credit unions, or other institutions organized under national or state banking laws and accepting deposits and making loans.
Float	The time lapsed between the time a check is given to a merchant and when the funds are debited from the checkwriter's account. Paper checks can take several days.
Forward collection	The process of collecting and settling funds for checks (demand instruments) from the Bank of First to Deposit to the Paying Bank.
FRB	Federal Reserve Bank.

G

Good faith	Legally defined as "acting in apparent honesty while observing reasonable commercial standards of fair dealing."
Grayscale	The TM-H6000II scanner offers a "grayscale mode" in which check images are output in JPEG format to conserve file size. Grayscale color mode images are still basically black and white, but they have up to 256 shades of gray. Each different color of a full-color image on consumer checks is converted into one gray on the full range of 256 grays in grayscale mode. (One of the 256 shades is "black" and one shade is "white".) *See JPEG.*

I

ICBA	Independent Community Bankers of America.
Instrument	i.e. a check, used in the financial industry synonymously with "negotiable instrument".
Intermediary bank	A bank in the forward collection process between the ODFI and the RDFI. *See forward collection, ODFI and RDFI.*
Issuer	Bank with whom the cardholder has their credit card account.

J

JPEG

(Joint Photographic Experts Group): file compression format that makes images into much smaller files. The TM-H6000II scanner allows JPEG file compression in grayscale mode. The JPEG format is sometimes used for photographic images because it allows the use of the full range of 24-bit color. See grayscale, raster, tif.

M

Maker

Person who signs or is identified in a note, draft or check as a person assuming the responsibility to pay the note, draft or check. In the case of checks, the "maker" is also called the "drawer", "payer", "signer" or "issuer".

Merchant processor

Company that provides transaction and sometimes data processing services to merchants.

MICR

Magnetic ink character recognition line: characters along the bottom of the face of a paper check that contains the:
- routing/transit number of the financial institution on which the check is drawn
- account number of the checkwriter
- check number

All printed in machine readable magnetic ink in a font devised for check reading. *See also check digit.*

MICR reader

A device that reads MICR numbers encoded at the bottom of a check.

N

NACHA (Nat'l Automated Clearinghouse Assoc.)

National Trade association for electronic payment associations, which establishes the rules, industry standards and procedures governing the exchange of commercial Clearinghouse payments by depository financial institutions.

NACS

National Association for Check Safekeeping.

NAFCU

National Association of Federal Credit Unions.

Negotiable instruments

Payer's unconditional promise to pay a fixed amount of money to the instrument's payee (bearer) on demand at the time the instrument is given. (Neither cash nor securities are considered "negotiable instruments".) If what appears to be a check states "This is not negotiable", then it is not a check. *See check, payer, payee, instrument.*

Non-sufficient funds

NSF: reason for a bank to return a check to a merchant because there is not enough money in the bank to cover the face value of a check.

O

ODFI   Bank of First Deposit: financial institution of the merchant to whom the electronic payment, or paper check, was issued. ODFIs must abide by the provisions of the NACHA Operating Rules and Guidelines.

Off-line debit   Signature-based electronic payment routed through MasterCard's or Visa's Proprietary Network with ACH settlement in 1 to 3 days.

On-line debit   Electronic payment using a personal identification number (PIN) that is routed "real time" through a Regional EFT Network.

Ordinary care   In reference to a person: exercising reasonable care in business dealings, in light of that person's business and in the geographical area in which that person does business. *See related concept: Good faith.*

Originator   Person, corporation or other entity that initiates entries into the Automated Clearing House Network. *See ACH system.*

P

Party   As in "party" to an instrument; in the case of a check is usually either the payee (receiving the money) or the payer (paying the money).

Payable on demand   A check is payable on demand at the will of the holder (payee) if it does not state a specific time of payment.

Payor bank   Or payer bank: bank holding the account on which a check or EFT has been issued.

Point of purchase (POP)   A one-time debit entry initiated by merchants and retailers for the in-person purchase of goods and services, using the consumer's check as a source document. ("There is no standing authorization with the merchant for the origination of ACH entries to the Receiver's account." From NACHA definition of POP).

Point-of-sale (POS)   A debit entry initiated at an electronic terminal as defined in Regulation E to effect a transfer of funds from a consumer account to pay an obligation incurred in a point-of-sale transaction, or to effect a point-of-sale terminal cash withdrawal.

Point of service   A debit entry initiated at an electronic terminal as defined in Regulation E to effect a transfer of funds from a consumer account to pay an obligation incurred in a point-of-sale transaction, or to effect a point-of-sale terminal cash withdrawal. ("Transactions are typically initiated by use of merchant issued plastic card.") From NACHA definition of POS.

Post-dated   Check that is dated at a date after the check is given.

Present   Presentment. As in: a check is "presented" for payment.

| **Promise** | Written proof to pay money, signed by the person who is responsible for payment. |

R

RCK	Re-presented Check (one that has already been refused, usually due to non-sufficient funds).
RDFI	Receiving Depository Financial Institution: financial institution that receives ACH entries directly or indirectly from its ACH operator.
Raster	Type of graphic that is similar to bitmaps, but the pixels in raster graphics, unlike those in bitmapped graphics, aren't limited to a single data bit of information.They can contain any one of millions of different colors. Raster graphics are frequently seen as ".tif" (PC) or "TIFF" (usually Macintosh) files. The TM-H6000II scanner can output receipt images in either TIFF format, or raw data output format. *See bitmap, vector.*
Receiver	Individual, corporation or other entity who has authorized a company to initiate a credit or debit to a transaction account. *See Authorization.*
Regulation CC	Federal Reserve Board regulation that mandates time limits for funds availability on deposited items.
Regulation E	Federal Reserve Board regulation that mandates consumer rights and obligations with regard to electronic fund transfers.
Return processing	Process of returning and settling funds for checks (demand instruments) that were dishonored by the RDFI (Paying Bank) and returned to the ODFI (Bank of First Deposit).
Returned check	A presented check that the check writer's financial institution refused to honor.
Routing/transit number	Also known as a Routing Number, Transit/Routing Number or ABA Number. A nine-digit number (eight digits plus a check digit) which identifies a specific financial institution. Routing numbers are administered by the Routing Number Administrative Board under the sponsorship of the American Bankers Association. *See MICR line, check digit.*

S

| **SEC** | Standard-entry-class-code: classification for ACH records that distinguishes types of transactions. |
| **Sight draft** | Paper check created from a check micr line and/or image which is subsequently deposited as a paper item. |

T

TIFF/tif	Tagged Image Files, are a file format for raster images, and are known for their superior resolution and scalability. *See raster, jpeg.*
Third party processor	Party which processes ACH files and/or items on behalf of one of the participants in the ACH system, such as: • payroll processing companies • data processing companies receiving incoming ACH files • correspondent banks which process ACH files
Trickle file transfer	Random file transfers of batched data or images from local server to Host, which occurs when the network permits (i.e. during slow network traffic periods).
Truncate	(Or check truncation), converting a check to an electronic debit, or image of the check, by someone in the payment system other than the paying bank. *See check truncation.*

Some of the definitions in this Glossary were adapted from the following sources:

NACHA: The Electronic Payments Association
13665 Dulles Technology Drive, Suite 300, Herndon, VA 20171
www.nacha.org

ACH Terms: A to Z Glossary

2001 ACH Rules Book

Electronic Check Conversion, FMI
www.fmi.org

Electronic Check 2001
Fort Lauderdale, FL, September 2001